

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 OES-03 FEA-01

INT-05 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 DODE-00

PA-01 PRS-01 /106 W

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R 060742Z JUN 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5920

INFO USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL BRISBANE BY POUCH

AMCONSUL MELBOURNE BY POUCH

AMCONSUL PERTH BY POUCH

AMCONSUL SYDNEY BY POUCH

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1. BEGIN SUMMARY: FROM STANDPOINT OF OVERALL ECONOMIC POLICY, PRINCIPAL PORTFOLIO CHANGE OF IMPORTANCE WAS SUBSTITUTION OF HAYDEN FOR CAIRNS AS TREASURER. REMAINING TWO MOST IMPORTANT ECONOMIC MINISTRIES, OVERSEAS TRADE AND MINERALS AND ENERGY, UNCHANGED. THREE CHANGES OCCURRED IN MINISTRIES OF IMPORTANCE BUT SECONDARY ECONOMIC POLICY SIGNIFICANCE, LABOR AND IMMIGRATION, MANUFACTURING INDUSTRY, AND SPECIAL MINISTER OF STATE. ONLY ONE CHANGE MADE AMONG OTHER MINISTRIES HAVING SIGNIFICANT BEARING ON ECONOMIC POLICY, NAMELY DEPARTMENT OF POLICE AND CUSTOMS. NO CHANGES OCCURRED IN AGRICULTURE, TRANSPORT OR DEPARTMENT OF FOREIGN AFFAIRS. NET RESULT OF CHANGES AMONG ECONOMIC MINISTRIES IS LIKELY TO BE STRONGER SUPPORT FOR CONSERVATIVE FINANCIAL POLICY AND FOR LESS RESTRICTIVE TRADE AND

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INVESTMENT REGIME. FIRST MAJOR TEST OF REAL IMPACT THESE CHANGES WILL BE CHARACTER OF 1976 BUDGET NOW IN MID-PREPARATION. END SUMMARY.

2. NET ADDITIONS TO SIGNIFICANT ECONOMIC MINISTRIES ARE HAYDEN IN TREASURY AND DOUGLAS MCCLELLAND AS SPECIAL MINISTER OF STATE. NET DEPARTEES ARE CAIRNS AND CAMERON FROM TREASURY AND LABOR. CONNOR IN MINERALS AND ENERGY AND CREAN IN OVERSEAS TRADE UNCHANGED WHILE BOWEN MOVES FROM SPECIAL MINISTER OF STATE TO MANUFACTURING INDUSTRY AND JAMES MCCLELLAND FROM MANUFACTURING INDUSTRY TO LABOR.

3. FAR THE MOST IMPORTANT CHANGE IS APPOINTMENT OF HAYDEN AS TREASURER. HAYDEN, WHO HAS EXCELLENT ECONOMIC TRAINING, HAS IN CABINET AND ACTING TREASURER ROLE OVER PAST YEAR CONSISTENTLY URGED MODERATION IN GOVERNMENTAL SPENDING AND SERIOUS ATTACK ON INFLATION PROBLEMS. THIS POSTURE THREATENED HIS RELATIONS WITH WITLAM A FEW MONTHS AGO, BUT STOOD HIM IN GOOD STEAD IN RECENT WEEKS AS INFLATION PROBLEM APPEARS TO BE REGAINING HIGH PRIORITY IN WHITLAM'S AGENDA. BUDGET PREPARATIONS NOW WELL UNDER WAY. HAYDEN PROBABLY BUT NOT CERTAINLY WILL BE ABLE TO HAVE SIGNIFICANT IMPACT ON FINAL PROPOSALS. IN ANY CASE HIS GENERAL APPROACH CERTAIN TO HAVE EFFECT IN CABINET ON HANDLING OF MAJOR ECONOMIC POLICY ISSUES. IN INVESTMENT AREA CONNOR, WHOSE UNTOUCHABILITY WAS UNDERLINED BY HIS OMISSION FROM CABINET RESHUFFLE, WILL REMAIN IMPORTANT FORCE. BUT TREASURER HAS MAJOR ROLE IN INVESTMENT POLICY AND HAYDEN WHO SEES NEED FOR SIGNIFICANT INCREASE IN INVESTMENT RATES IS GENERALLY EXPECTED TO BE MORE FORCEFUL AND EFFECTIVE IN MODERATING CONNOR'S RESTRICTIVE ATTITUDE AND IN PUSHING FOR EFFECTIVE GUIDELINES ON FOREIGN INVESTMENT THAN WAS CAIRNS. THE DROPPING OF CAMERON FROM THE LABOR PORTFOLIO TO SCIENCE AND CONSUMER AFFAIRS WILL HAVE SOME EFFECT ON THE GENERAL QUESTION OF ATTITUDES TOWARD MULTINATIONALS. IN HIS LABOR ASSIGNMENT CAMERON HAS BEEN A SAVAGE AND VOCAL CRITIC OF MULTINATIONALS, DELIVERING BROADSIDES USUALLY BUT NOT EXCLUSIVELY IN CONNECTION WITH CURRENT LABOR ISSUES AND HAS RESERVED SPECIAL VENOM FOR LARGE AMERICAN CORPORATIONS SUCH AS FORD AND GENERAL MOTORS. WHILE HE IS UNLIKELY TO BE SILENT IN HIS NEW CAPACITY,
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HE WILL IN ANY CASE BE LESS AUTHORATIVE AND HIS COMMENTS MAY CARRY SOMEWHAT LESS IMPACT. IN GENERAL, THE RESHUFFLE HAS SOMEWHAT RAISED THE EFFECTIVE SOPHISTICATION ON INVESTMENT ISSUES AMONG THE MINISTERS HAVING RESPONSIBILITY FOR THIS SUBJECT.

4. IN FOREIGN TRADE FIELD JAMES MCCLELLAND HAS RECENTLY BEEN STRONG VOICE IN FAVOR OF LIBERAL POLICY AND REDUCED PROTECTION. H, BOWEN AND CREAN WILL CONTINUE TO BE VOICES FOR MODERATION IN THIS AREA WHILE HAYDEN SEEMS LIKELY TO BE MORE MODERATE THAN CAIRNS. UNKNOWN FACTOR IS NEW SPECIAL MINISTER OF STATE DOUGLAS MCCLELLAND WHO HAS NO

SIGNIFICANT TRACK RECORD IN THIS FIELD AND WILL HAVE SOME INFLUENCE THROUGH HIS CONTROL OF PROTECTION POLICY DIVISION AND OVERSIGHT OF INDUSTRIES ASSISTANCE COMMISSION INCLUDING TEXTILES AUTHORITY AND TEMPORARY ASSISTANCE AUTHORITY.

5. IN SUMMARY, THE NET EFFECT OF THE REARRANGEMENT AMONG THE KEY ECONOMIC PORTFOLIOS WILL PROBABLY BE TO INCREASE THE SUPPORT FOR MORE CONSERVATIVE BUDGETARY POLICY, RENEWED EMPHASIS ON MEASURES TO MODERATE INFLATION AND CLARIFY INVESTMENT GUIDELINES SO AS TO FACILITATE FOREIGN INVESTMENT IN AREAS IN WHICH IT DESIRED. ON FOREIGN TRADE POLICY CHANGES HAVE PROBABLY SOMEWHAT IMPROVED POSITION OF SUPPORTERS OF MODERATELY LIBERAL IMPORT POLICY. IT IS UNLIKELY, GIVEN RANGE OF OPTIONS AVAILABLE AND POLITICAL CONSIDERATIONS WHICH BEAR ON GOVERNMENT DECISION, THAT RESHUFFLES WILL RESULT IN ANY HIGHLY VISIBLE CHANGE OF DIRECTION. GIVEN ERRATIC TENDENCIES RECENTLY DISPLAYED ON ECONOMIC POLICY BY DR. CAIRNS, HOWEVER, AND STRONG AND SOMEWHAT UNPREDICTABLE VIEWS OF MR. CAMERON, THERE IS GOOD REASON TO ASSUME THAT NEW LINE-UP IN ECONOMIC PORTFOLIOS WILL TEND TO BE MORE RECEPTIVE TO USE OF FISCAL POLICY FOR INFLATION FIGHTING, AND TO IMPORTS, FOREIGN CAPITAL, AND ROLE OF PRIVATE SECTOR GENERALLY.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, CABINET, GOVERNMENT BUDGET, ECONOMIC PROGRAMS, REORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CANBER03699
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750198-1194
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197506103/baaaauvi.tel
Line Count: 134
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by MartinML>; APPROVED <01 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: PGOV, ECON, AS, (HAYDEN, WILLIAM G), (CAIRNS, JAMES F)
To: STATE INFO OECD PARIS
TOKYO
WELLINGTON
BRISBANE BY POUCH
MELBOURNE BY POUCH
PERTH BY POUCH

SYDNEY BY POUCH

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006